

Q3 2016



Contra Costa County Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Contra Costa County In Brief

The unincorporated area's receipts from July through September were 5.1% below the third sales period in 2015. Excluding reporting aberrations, actual sales were down 3.9%.

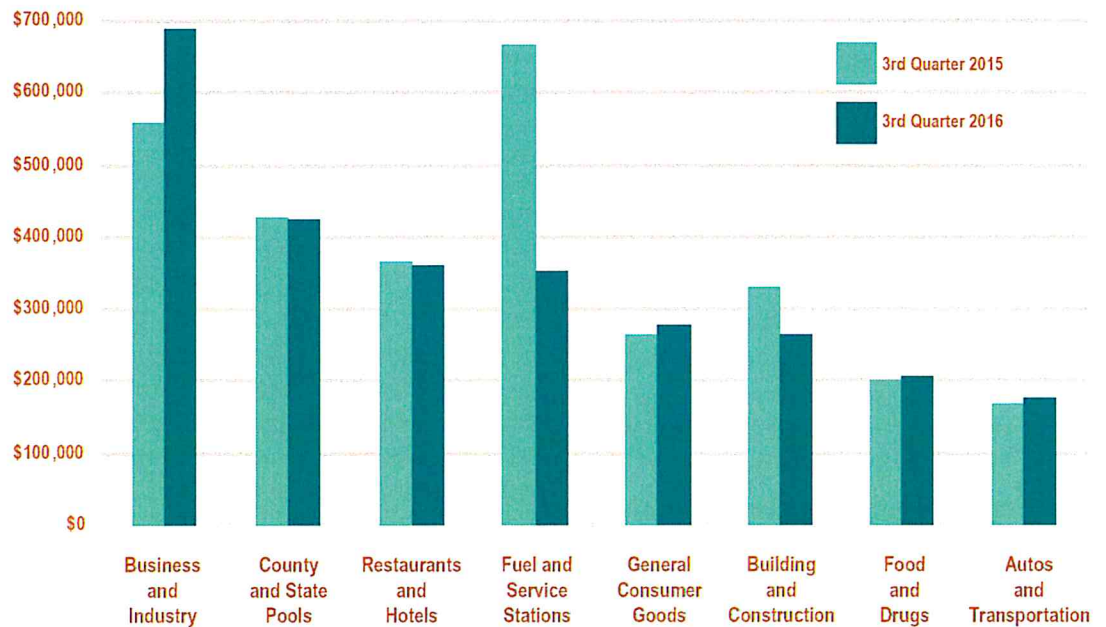
Business relocations and recent annexations exaggerated the drop in the fuel and service station group. Lower fuel prices and unusually high returns a year ago accounted for the decline of 26% once onetime events were removed.

High construction-related activity last year contributed to the loss in building and construction. Nonetheless, new businesses boosted the plumbing/electrical supply category.

Multiple payment aberrations inflated positive gains in business to business revenues. Sales activity was up in electrical equipment, light industrial/printers and heavy industry while a recent opening boosted repair shop/rentals.

Net of aberrations, taxable sales for all of Contra Costa County grew 1.6% over the comparable time period; the Bay Area was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	Mid Valley Agricultural
Alamo Shell	New York Times Sales
BDV Chevron	Phillips 66
Blackhawk Country Club	S & S Tool & Supply
Brickyard Building Materials	Safeway
C & H Sugar	Safeway Fuel
Chevron	Sams Club
Colonial Energy	Shell
County Asphalt	Sunstate Equipment
Dead Fish	Tesoro Refining & Marketing
General Plumbing Supply	United Rentals
McGuire Harley Davidson	Walgreens
	Wesco Distribution

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,028,260	\$4,825,943
County Pool	823,721	871,145
State Pool	2,632	1,732
Gross Receipts	\$5,854,614	\$5,698,820
Cty/Cnty Share	1,830,749	1,879,202
Net Receipts	\$7,685,363	\$7,578,023
Less Triple Flip*	\$(1,921,341)	\$0

**Reimbursed from county compensation fund*

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

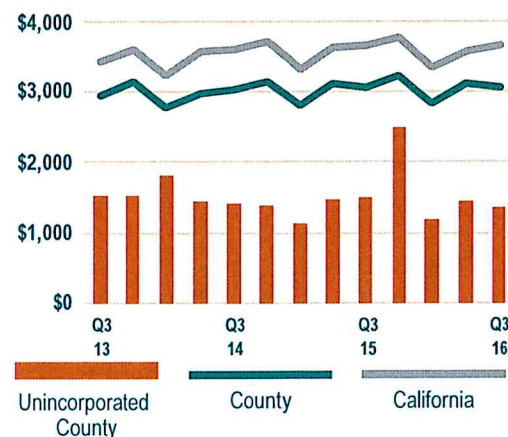
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

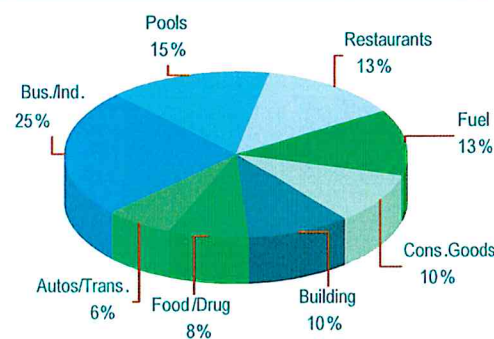
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Contra Costa Co. Uninc This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

*In thousands of dollars

Business Type	Unincorporated County		County		HdL State
	Q3 '16*	Change	Change	Change	Change
Boats/Motorcycles	57.7	34.6%	18.5%	3.7%	
Casual Dining	154.5	1.5%	2.7%	4.5%	
Contractors	140.8	-20.1%	6.0%	1.5%	
Convenience Stores/Liquor	54.7	-0.5%	6.8%	3.5%	
Discount Dept Stores	— CONFIDENTIAL —		1.1%	-0.4%	
Electrical Equipment	100.9	23.2%	-11.8%	13.0%	
Garden/Agricultural Supplies	83.5	13.8%	22.4%	10.8%	
Grocery Stores	108.7	6.6%	3.1%	-2.1%	
Heavy Industrial	50.6	177.8%	4.6%	6.0%	
Leisure/Entertainment	85.2	2.1%	14.6%	1.6%	
Light Industrial/Printers	168.4	13.4%	-2.0%	-1.2%	
Plumbing/Electrical Supplies	48.2	24.2%	4.8%	4.6%	
Quick-Service Restaurants	97.2	4.1%	7.8%	8.9%	
Repair Shop/Equip. Rentals	96.1	17.7%	17.8%	8.8%	
Service Stations	402.8	-6.6%	-8.6%	-13.8%	
Total All Accounts	2,339.2	-8.5%	0.5%	0.9%	
County & State Pool Allocation	424.9	-0.6%	9.1%	11.5%	
Gross Receipts	2,764.1	-7.4%	1.7%	2.2%	
City/County Share	930.7	2.4%			
Net Receipts	3,694.8	-5.1%			